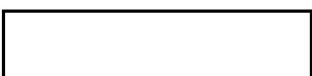


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3 August 1965

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CENTRAL INTELLIGENCE BULLETIN

CURRENT INTELLIGENCE
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DIA and DOS review(s) completed.

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CENTRAL INTELLIGENCE BULLETIN

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Dominican Republic: Dominican military leaders are working on plans for the reorganization and ultimate scaling down of the armed forces.

The younger officers now in positions of leadership, such as the armed forces minister, Commodore Rivera Caminero, evidently recognize that the pressures for military reform will be irresistible once the present crisis has passed. There is probably no issue on which Dominicans in general are more united than on the need to eliminate corruption in the armed forces and get the military out of politics.

A determination to bring about military reform was, in fact, one of the motivations of many of the officers whose military coup sparked the insurrection last April. There have been unconfirmed rumors that dissatisfied junior officers are again considering establishing a new junta, presumably to replace the Imbert government. Discipline and morale apparently are deteriorating in some military units.

The extent of military reform and who will control it are crucial issues in the current efforts to reach a settlement. Hector Garcia Godoy, prospective president of a provisional government, insists that once his government is formed it must have the right to name new officers to ranking military posts. Rivera Caminero, on the other hand, demands that the present military leaders be assured of their present posts under a provisional government.

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Indonesia: The anti-American campaign in Indonesia, relatively quiet since late March, apparently has been resumed.

A carefully controlled demonstration was aimed at the American Embassy in Djakarta on 26 July, the day the new US ambassador presented his credentials. An uncontrolled demonstration damaged the US Consulate in Medan in North Sumatra on 30 July.

The future course and tempo of the campaign will depend to a considerable extent on day-to-day events which Sukarno and the Communists might use to justify further anti-American action. Sukarno's annual independence day speech on 17 August could be used as a signal to intensify the campaign.

The Indonesian Communist Party still demands a break in US-Indonesian relations and the seizure and nationalization of American-owned oil properties. These properties were nominally taken over by the government last March, but so far the companies have encountered relatively little operational interference.

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EXCERPTS FROM REPORTS OF AGANBEGYAN'S MID-JUNE CRITICISM
OF SOVIET ECONOMIC ADMINISTRATION AND MANAGEMENT

The structure of Soviet production is the most backward of all developed nations.

Putting new technology into industrial use continues to become more difficult.

Unemployment is a great problem and is increasing.

In the past few years there has been practically no rise in the standard of living.

Soviet defense expenditures are about the same as those of the United States but the Soviet economic base is only about half that of the US. This is a principal reason for economic difficulties.

Today's planning system is the same as that of the thirties. Gosplan's efforts to balance supply and demand plans result in serious errors.

The argument with CIA in 1964 concerning the state of the Soviet economy was stupid. The Americans gave a completely correct account.

The USSR has senselessly followed a policy of over-industrialization for many years.

The faults of the Soviet system were summed up in the following categories:

- 1) The incorrect direction of the economic development of the USSR
- 2) The lack of coordination between the system of planning, incentives, and administration of the Soviet economy and the current demands of life

In response to a question on whether the United States or the Soviet Union had the most powerful economic system, Aganbegyan is reported to have said facetiously that the Soviet one must be the more powerful because only it could have survived such unparalleled waste of resources.

[redacted]

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USSR: An extensive debate has been under way in Moscow over the seriousness of Soviet economic problems and the reforms needed to solve them.

The latest evidence of the debate is provided in statements by research economist A. G. Aganbegyan, from the new and highly touted Novosibirsk scientific research center. In mid-June Aganbegyan delivered an indictment of the Soviet economic system as comprehensive and frank as any produced in the West. His criticisms imply the need for drastic revision of the Soviet system, and apparently caused a "considerable stir" in Moscow.

Some of his remarks have evidently been garbled or exaggerated, but the criticism attributed to the 33-year-old member of the Soviet Academy of Sciences is generally valid. On 28 July Aganbegyan denied having made such statements, but the US Embassy reports that Moscow press circles have no doubts of the authenticity of a report on his remarks published in early July in the UK.

If, as implied by embassy sources, Aganbegyan's criticism has had a major impact in Moscow circles, it tends to explain why the Brezhnev-Kosygin regime seems to have had difficulties in reaching decisions on the economic reforms promised in their initial policy statements last fall.

There is ample evidence of widespread disagreement among economic administrators and academic economists on the extent of reforms needed. Some, including high party officials, hold that more effective management can be obtained with only minor adjustments of the existing economic apparatus. Others have criticized the economic innovations experimentally introduced by Kosygin on a broadened scale.

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NOTES

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Rhodesia: [Recent British/Rhodesian talks in Salisbury have reinforced London's belief that although the odds are against an agreement on Rhodesian independence, the situation is not hopeless. Prime Minister Smith came no closer to accepting specific UK proposals, particularly those concerning steps toward majority rule, but said that he is willing to continue discussions. Smith's subsequent public statement implied that he would declare independence unilaterally if negotiations failed. It was probably designed to put pressure on the UK and to mollify right-wing critics within his party prior to its annual party congress this week end.]

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The Under Secretary of State for Political Affairs

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The Assistant Secretary of Defense

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